

Message Text

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PAGE 01 SEOUL 02099 160242Z
ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 XMB-02 ACDA-12 CIAE-00
INR-10 IO-13 L-03 NSAE-00 NSC-05 EB-08 NRC-05
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FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 9864
INFO AMEMBASSY LONDON

C O N F I D E N T I A L SEOUL 2099

PASS EX-IM BANK

E.O. 11652: GDS
TAGS: BEXP, EFIN, BENC, OECD, UK, US
SUBJECT: KORI NUCLEAR POWER STATIONS THREE AND FOUR

REF: SEOUL 1868

1. AS PROMISED REFTTEL, ECON COUNSELOR WENT OVER BID EVALUATION
WITH KECO EXECUTIVE VICE PRESIDENT SUNG NAK CHUNG AND
MANAGER OF THE NUCLEAR PLANNING DEPT. KIM YOUNG OOK.

2. DESPITE THE FACT THAT WE HAVE LEARNED FROM BOTH GE AND
WESTINGHOUSE THAT THEIR FINAL BID PRICES WERE ABOUT \$10
MILLION BELOW THOSE SENT REFTTEL, KECO SEEMS TO HAVE USED THE
SAME BASIC NUMBERS AS WE GOT FROM EPB, AT LEAST IN THEIR
EXPLANATION TO ME. WE CONJECTURE THAT WHILE THE NUMBERS
HAVE CHANGED, THE RELATIVE POSITIONS HAVE NOT AND THAT THEY
DID NOT, THEREFORE, REDO THE ANALYSIS.

3. THE EXPLANATION FOR THE PENALTY COMPONENT DESCRIBED REFTTEL
WAS MAINLY THE DIFFERENT INTEREST RATES CHARGED. THE HIGHER
U.S. INTEREST RATE WAS IN SOME MEASURE OFFSET BY THE "PENALTY"
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ASSESSED THE NON-U.S. BIDS FOR THE FACT THAT THE U.S. RATE
APPLIED TO THE NSSS AS WELL, IF 90 PERCENT OF THE PLANT WAS U.S.

4. WITHOUT A COMPLETE RECALCULATION, THE KECO OFFICIALS
SAID THEY COULD NOT STATE CONCLUSIVELY THAT THE U.S. BID
WOULD HAVE WON HAD U.S. EXIM MET THE BRITISH RATE, BUT
OBVIOUSLY IT WOULD HAVE CLOSED THE GAP A GREAT DEAL.

5. THE ESTIMATE FOR ESCALATION SHOULD NOT BE A SINGLE FIGURE AS SHOWN IN REFTTEL SINCE IT DEPENDED ON AN ASSUMED RATE. THE ACTUAL BID ANALYSIS TOOK ACCOUNT OF THIS, BUT GEC WAS STILL CLEARLY THE LOWEST PRICE OFFERED FOR ANY ASSUMED RATE UP TO 8 PERCENT A YEAR. THEREAFTER, THE BBC OFFER WOULD HAVE BEEN LOW, BUT ONLY ON THE ASSUMPTION OF NO APPRECIATION IN THE SWISS FRANC. THE ANALYSIS FINALLY PUT BBC HIGHEST OF ALL BIDDERS BECAUSE OF ASSUMED FRANC APPRECIATION.

6. THE KECO OFFICIALS SAID THAT THEY HAD MADE NO ATTEMPT TO EVALUATE DIFFERENCES IN LOCALIZATION OR IN QUALITY SINCE EACH SUPPLIER MET THE MINIMUM SPECS.

7. ULTIMATELY, THE KECO OFFICIALS NOTED, THE BID ANALYSIS WAS EXTREMELY COMPLEX AND REQUIRED A COMPUTER ANALYSIS. SINCE IT HAD BEEN DONE BY A HIGHLY-RESPECTED U.S. ENGINEERING FIRM, BECHTEL, THEY WERE IN NO POSITION TO QUESTION IT.
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